

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**IRRRB
Eveleth, Minnesota**

Thursday, August 8, 2013

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IRRRB, Eveleth, Minnesota
Thursday, August 8, 2013
10:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Thursday, August 8, 2013 – 10:00 a.m.**

AGENDA

- 1) Roll Call
- 2) Approval of June 17, 2013, Minutes
See Exhibit A
- 3) Commissioner's Comments
- 4) Iron Range Higher Education Fund – ***Resolution No. 14-032***
- 5) Cast Corporation – ***Resolution No. 14-033***
- 6) Business Energy Retrofit (BER) Program – ***Resolution No. 14-034***
- 7) Grants – ***Resolution No. 14-035***
 - a. City of Cohasset
 - b. City of Virginia
- 8) Land Purchase – ***Resolution No. 14-036***
- 9) Legislative Appropriated Projects – House File 3149 – ***Resolution No. 14-037***
- 10) Agency Program Guidelines
- 11) Other
- 12) Adjournment

Iron Range Higher Education Fund



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To: Iron Range Resources and Rehabilitation Board

From: Iron Range Higher Education Committee

Date: August 8, 2013

Re: Iron Range Higher Education Programs

In 2008, the Minnesota legislature established the Iron Range Higher Education Account. Under current law, five cents per taxable ton is set aside in a special account administered by the Iron Range Resources and Rehabilitation Board (IRRRB). The purpose of the Iron Range Higher Education Committee (IRHEC) is to advise the Commissioner of IRRRB regarding potential higher education programs to be offered within the Taconite Assistance Area that meet the needs of the regional economy. Upon the recommendation of the Commissioner of IRRRB, the IRHEC and IRRR Board must approve all expenditures from the account.

The IRHEC met on Wednesday, July 17 and approved the following expenditures from the Iron Range Higher Education Account:

1. Up to \$1,000,000 to the Northeast Higher Education District (NHED) for use by the Iron Range Engineering program for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato.
2. Up to \$500,000 to NHED for the completion of phase II implementation of telepresence technology classrooms located at NHED regional institutions.
3. Up to \$350,000 to NHED for the development and implementation of a professional level Certified Nurse Practitioner (CNP) program on the on the Iron Range.

The IRHEC FY14 expenditure of \$1,850,000 is contingent upon the Agency's receipt of the second half of production year 2012 taconite taxes in the projected amount of \$957,758.00.

Funding Authorization:

This expenditure is authorized under the provisions of the Iron Range Higher Education Committee and the Iron Range Higher Education Account as codified under Minnesota Statutes, Section 298.2214 and 298.28, subdivision 9d, respectively.

Cast Corporation
11364 East Highway 37
Hibbing, MN 55746

IRRRB Bank Participation Loan Program

Applicant:	Cast Corporation	
Project Location:	11364 East Highway 37 Hibbing, MN 55746	
Principal(s):	Tim Bungarden	
Project Description:	Construction of a 20,000 square foot building on its current site and the purchase of production equipment to allow the business to enter into the foundry business.	
Market Opportunity:	The new product lines will complement the existing products of the company. It is expected that a mix of the sales from the foundry line will be to new and existing customers.	
Project Investment:		
	Security State Bank, up to 20 year amortization	\$ 945,000
	IRRRB, formula rate, up to 20 year amortization	\$ 945,000
	SBA 504	\$1,260,000
	Equity	\$ 350,000
	TOTAL	\$3,500,000
Jobs:	30 Planned New 17 Retained Wages \$31,000 - \$52,000 per year plus benefits	
Collateral:	Lien on real estate and equipment, shared with bank, subordinate only to existing lien(s) of bank.	
Business History:	<p>Cast Corporation, incorporated in 1995, produces tooling, castings and production machinery for the automotive, recreational, heavy equipment, and electrical utility industries. The company added truncated domes, warning plates installed in sidewalks to conform with the ADA, to its product line several years ago.</p> <p>The company began in the Whiteside shops area of Buhl and in 2005 moved into a 13,000 square foot facility at its currently location on Highway 37 in Hibbing just west of the Range Regional Airport. Cast completed an 8,200 square foot expansion of that facility early in 2013.</p>	

Past IRRRB History:	<p>Cast Corporation currently has an outstanding bank participation loan with the agency. The agency portion of the loan had an original principal balance of \$390,000 and has a current principal balance of \$380,000. The loan has been paid as agreed.</p> <p>Cast Corporation also two prior participation loans with the agency, with the amount retained by the agency being \$250,000 and \$165,000. Both of these loans were paid as agreed and have been paid in full.</p>
Contingencies:	<p>An appraisal of contemplated collateral, acceptable to the Bank and IRRRB, is obtained.</p> <p>Alternative financing structures may be considered, as long as the position of the IRRRB is not materially compromised.</p>
Technical Advisory Committee Recommendation:	Approval on August 1, 2013.
Funding Authorization:	<p>Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.</p>

Business Energy Retrofit (BER) Program



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 5, 2013

Re: Business Energy Retrofit Program Funding Request

I recommend funding the Business Energy Retrofit Program (BER) for FY14 in the amount of \$500,000. This proposal would expand the program to the entire IRRRB service area providing grants to eligible business owners to make cost effective energy improvements on buildings they own. These grants will cover one third of the investment with the other two thirds coming from utility rebates, owner match, other energy funds or low interest loans. The savings realized from these investments will allow those local business owners to retain existing jobs as well as create new economic opportunities for their business with an improved bottom line. The work provided through local contractors and materials purchased from local suppliers will also retain local jobs as well as create additional new economic opportunities.

The pilot program which began last year in the City of Hibbing has been highly successful and well received. There have been 13 completed projects for local businesses and this increased level of investment has the potential to add an additional 40 projects across the IRRRB service area. The data shows that the average total project investment by business owners was \$47,559, of which the average investment by the IRRRB was \$17,896.

To date, 16 local contractors have worked on these local projects and 12 local vendors have supplied products for the projects which have been completed. Local banks have also provided loans to businesses for their projects.

AEOA will deliver the IRRRB funded BER program for commercial properties by providing a one-stop service to the business owner that results in energy savings, short-term payback and a design that enhances the business and its operations which can then be replicated and expanded. The program is designed to save business owners energy and money by focusing on challenges that businesses face when making energy improvement decisions. These challenges include limited financial resources and time, limited knowledge of energy saving products and lack of access to qualified contractors. Area Chambers of Commerce, DEED, CDBG and Energy Insight will continue to support and invest in this program.

Letters of support for the expansion of the program have been received from the following:

Senator Al Franken
Hibbing Area Chamber of Commerce
City of Hibbing
Clean Energy Resource Team (CERT)
City of Ely
City of Virginia

Grand Rapids Area Chamber of Commerce
Two Harbors Area Chamber of Commerce
Nashwauk Area Chamber of Commerce
Lake County HRA
Cook County Economic Development Authority

Grants



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To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 8, 2013

Re: Grants - \$362,000

City of Cohasset

Grant Amount: \$12,500

The project is comprised of new water and sewer line connections to service a new retail development project and an existing business. The City of Cohasset has to vacate some existing water and sewer lines and add a new connection to the Highway 2 water and sewer lines. This project will provide leverage for a new 8500 square foot retail development. The project is expected to create 6.5 FTE construction jobs and a number of permanent jobs.

USES

SOURCES

Buildings	\$800,000	IRRRB	\$12,500
Water, sewer and roads	12,500	Private	800,000
Land Purchase	211,000	City	211,000
TOTAL		TOTAL	\$1,023,500

City of Virginia

Grant Amount: \$350,000

The public works grant to the City of Virginia is for a project that is comprised of water, sewer, utility extension and site work for a new surgery center on Bailey's Lake. This project is an expansion of the Sundell Eye Associates Clinic and will be located on the same site on Baily's Lake. The new eye clinic is near completion and the new 8000 square foot surgery center is scheduled to be bid in September and construction will commence immediately. The new surgery center will be owned and operated by Sundell Eye Associates with additional health care providers offering surgical procedures. The project is expected to create 12 FTE permanent jobs and 19.5 FTE construction jobs.

USES

SOURCES

Buildings	\$3,000,000	IRRRB	\$350,000
Water, sewer and roads	275,000	Private	3,000,000
A & E	50,000		
Contingency	25,000		
TOTAL		TOTAL	\$3,350,000



Land Purchase

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(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 8, 2013

Re: Local Area Land Purchase

At its June 14, 2012 meeting, the IRRRB Board approved the expenditure of up to \$250,000 as an escrow deposit to authorize the Commissioner to enter into a purchase agreement to acquire up to 730 acres of land that are in close proximity to Balkan, Buhl and Chisholm. The acreage includes frontage on Highway 169 and County Road 67, and the source of Chisholm's potable water supply. The Board determined that consolidating ownership of lands strategically located near so many central communities with potential for recreational and business development would be a good use of agency resources. The lands along the highway corridors could be attractive locations for businesses, and some of the lands immediately east of County Road 67 could be developed for business or residential housing. Mineland reclamation opportunities also exist, especially with the potential water access to the Sherman pit that could be developed. The Board withheld approving additional monies for the sale until the Commissioner had an opportunity to perform due diligence on the valuation of the lands and possible environmental issues left behind by previous mining and other uses of the lands.

Subsequent to the Board meeting, the agency entered into a purchase agreement with the Seller, contingent upon confirming the valuation of the lands and that there were no environmental hazards requiring performance of a Phase II environmental assessment. The purchase agreement includes 667.79 acres; all but 27.21 acres of the lands also include mineral rights.

The agency contracted with Carlson McCain, Inc., to perform a Phase I environmental site assessment. The site assessment determined that there were no obvious environmental issues that would require a more detailed Phase II assessment.

To determine valuation, the agency entered into separate contracts with Ramsland and Vigen, Inc. (through a DNR master contract) to determine the valuation of the surface interests (assuming no mineral values existed), and Global Minerals Engineering LLC (through an RFP process) to determine the valuation of the minerals based on the assumption that the agency would receive royalties for any minerals extracted on the lands and not engage in direct mining itself (the usual method for valuing mineral interests in the region).

Ramsland and Vigen appraised the surface interests at \$447,000 effective July 26, 2013. The appraisal also indicated that there are remediation issues (primarily fencing) that would need to be completed to block access to many areas surrounding the pits. We expect remediation could cost up to \$150,000, meaning that the real value of the surface interests, subtracting remediation costs, is \$297,000.

Global Minerals Engineering provided a range of royalty values to the owner of the mineral interests; however, we believe the most likely value based on the probability and timing of future mining, if any, is \$500,000.

Combining the surface appraisal and minerals valuation work, the agency has determined that the fair market value of the lands is \$797,000.

Based on the information now available, I am recommending the Board approve the expenditure of \$547,000 from the Taconite Area Environmental Protection Fund (“TEPF”), under the authority of section 298.223, subdivision 1, which authorizes the expenditure of TEPF monies for “reclaiming, restoring and enhancing” those areas within the TAA that are adversely affected by mining operations, and for the purpose of promoting economic development. The expenditure would be used to finalize a purchase agreement with the Seller for the local area lands. Should the Seller decide not to proceed with the sale at the price offered, the funds will not be utilized, and the \$250,000 previously approved for the sale will be returned.

Legislative Appropriated Projects – House File 3149

Funding for proposed public works projects are made available from House File 3149 – which was state legislation passed in 2008. The law proposed that ten cents of the production tax be used as a grant or land incentive for a value-added wood product facility in the IRRRB service area. The legislation stipulates that if a grant or loan is not made by July 1, 2012, the funds sunset and must be transferred to the Taconite Area Environmental Protection Fund (TEPF) to be allocated for public works projects in house legislative districts in the same proportion as taxable tonnage of 2007 production in each house legislative district. This funding is separate from the agency's yearly public works grant process and cycle. Below is a list of projects that legislative board members supplied for the final expenditure of remaining funds as prescribed by the legislation:

Grantee	Description	Amount
City of Orr	Towards the purchase of capital equipment for Voyageur Trail Society.	\$75,000
St. Louis County School District #2142	St. Louis County Schools Capitol Tours & Education Trust Fund	\$91,498
TOTAL		\$166,498

Agency Program Guidelines



FINANCIAL ASSISTANCE

2014 GRANT GUIDELINES

BUSINESS ASSISTANCE

Eligible Businesses

The purpose of this program is to increase, expand and diversify the economic base of the region. Primary consideration is given to the following types of businesses:

- Manufacturing/assembly
- Businesses, including service businesses, that attract expenditures from outside the region
- Technologically innovative projects

Ineligible Businesses

The following businesses are ineligible for consideration:

- Retail/Service
- Media
- Speculative Real Estate
- Professional Offices
- Agriculture
- Construction
- Tourism

Types of Financial Assistance Available

IRRRB financial assistance is flexible and is structured to best suit the needs of the project. Types of financial assistance include:

- Bank Participation Loans – IRRRB may purchase a portion of a loan from a bank to an eligible business, with the interest rate on the portion purchased by the agency being three percent less than United States government securities of a similar maturity (minimum of 1%).
- Direct Loans – IRRRB may make a direct loan to an eligible business at an interest rate of one percent less than United States government securities of a similar maturity (minimum of 3%).*
- Loan Guarantees – IRRRB may consider a limited guaranty on a loan to an eligible business (all businesses that have been operating for a minimum of two years in the IRRRB service area under the same management are eligible for the IRRRB Local Business Loan Guaranty Program).
- Equity Investment – IRRRB has the statutory authority to make equity investments in eligible companies and may consider this for businesses that demonstrate extraordinary growth potential.

Allowable Uses of Proceeds

Allowed uses of IRRRB financing include:

- Land acquisition and improvements
- Building construction, acquisition, and renovation
- Equipment purchase and installation
- Marketing and inventory purchase

Review Criteria

Applications for IRRRB financial assistance will be evaluated on criteria that include:

- Anticipated economic activity including the creation/retention of quality jobs
- Credit worthiness of applicant including a demonstrated repayment ability
- Management capability and commitment to the business and project
- Ability to leverage other funding
- Adequate collateral coverage

DEVELOPMENT PARTNERSHIP GRANT PROGRAM

Purpose

The Development Partnerships Grant Program supports initiatives that have been determined by the Commissioner to play a key role in supporting the mission of the agency. Examples of this type of project include: cooperative economic development initiatives between two or more local units of government; funding for services delivered to businesses within the TAA by providers designed to increase sales, increase efficiencies, expand markets, or to demonstrate viability of a business or expansion; programs offered by regional development leaders designed to increase the leadership capacity within the TAA; services that may assist the agency in its outreach and business recruitment function, and; investment in other development opportunities that are consistent with IRRRB objectives.

Eligibility

Eligible applicants include cities, townships, other local units of government, nonprofits and other organizations located, or who provide services to clients, within the IRRRB service area. Multi-organization collaborative projects are eligible for this grant program.

Criteria

Awards from this fund will be for projects that have been determined to advance the mission and objective of the IRRRB and are subject to the discretion of the IRRRB Commissioner. Funding priorities include, but are not limited to:

- Initiatives that demonstrate collaborative economic development initiatives between multiple local units of government.
- Programs designed to assist area businesses in growth, including increasing sales and levels of employment.
- Programs offered to area businesses an opportunity to increase efficiencies, such as implementation of lean manufacturing techniques.
- Services provided to businesses with the objective to assist the business in penetrating new markets.
- Services, such as the assistance in the creation of businesses plans, that an organization will to a proposed start up or established businesses to allow the business to demonstrate viability.
- Initiatives to assist the agency in its outreach and business recruitment function.
- Programs offered to increase the leadership capacity within the TAA.

The applicant must demonstrate that all funding, to complete its activities as outlined in its application, is in place prior to entering into a grant contract. The project activities must begin within six months of the grant award.

COMMERCIAL REDEVELOPMENT GRANT PROGRAM

Purpose

The Commercial Redevelopment Grant Program supports the demolition and removal of dilapidated commercial buildings or publicly-owned structures or the cleanup of Brownfield sites. These projects should make way for potential new development. **Maximum grant award is \$200,000, although the agency reserves the right to grant awards higher than this amount where circumstances warrant.**

Eligibility

Eligible applicants are cities, townships and non-profits located in the IRRRB service area. Multi-organization collaborative projects are eligible for this program. Eligible projects must benefit a business that fits one of the following categories:

- Publicly-owned structures
- Manufacturing or assembly industry
- Technologically innovative industries that manufacture goods or provide a service that is primarily exported from the region
- Retail and service businesses
- Brownfield sites

Criteria

ECONOMIC IMPACT – Priority #1

- Priority is given to projects that have specific redevelopment proposals
- Attracts new investment
- Broadens the local tax base
- Enables new development
- Removes slum and blight
- Mitigates public safety concern
- Supports smart growth and sustainable communities

LEVERAGE – Priority #2

IRRRB will provide up to two-thirds (2/3) of the cost of a project. For every two dollars (\$2) requested from IRRRB, the applicant must provide a minimum of one dollar (\$1) in funding from other sources. Priority consideration may be given to projects that provide greater leverage of IRRRB funds.

PROJECT READINESS – Priority #3

The applicant must provide a statement regarding the anticipated demolition date and readiness of the project. IRRRB funds will not be released until the following documentation is received:

- Required permits and an MPCA Notification of Intent to Perform a Demolition form
- Utilities Disconnection form
- Assurance of hazardous waste removal

TIMELINESS – Priority #4

The applicant must provide a statement that:

- Project financing is in place
- The project will be ready for demolition or site improvement within one year after the grant award

COMPREHENSIVE PLAN GRANT PROGRAM

Purpose

The Comprehensive Plan Grant Program provides funds to cities and collaborative organizations to aid in the development, adoption and implementation of a comprehensive plan. **Maximum grant award is \$20,000 although the agency reserves the right to grant awards higher than this amount where circumstances warrant.**

Eligibility

Eligible applicants include cities and collaborative organizations, located within the IRRRB service area, which have their own land use authority.

Criteria

LEVERAGE – Priority #1

Comprehensive plans are eligible for an IRRRB grant leveraged 1:1 by the applicant. For every one dollar (\$1) requested from IRRRB, the applicant must provide one dollar (\$1) in funding from other sources.

CONTENT – Priority #2

All funded comprehensive plans must include, but are not limited to, the following sections:

- a. Issues and opportunities section. Background information on the local governmental unit and a statement of overall objectives, policies, goals and programs of the local governmental unit to guide the future development and redevelopment of the local governmental unit over a 20-year planning period.
- b. Housing section. A compilation of objectives, policies, goals, maps and programs of the local governmental unit to provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit.
- c. Transportation section. A compilation of objectives, policies, goals, maps and programs to guide the future development of the various modes of transportation, including highways, transit, transportation systems for persons with disabilities, bicycles, electric personal assistive mobility devices, walking, railroads, air transportation, trucking and water transportation.
- d. Utilities and community facilities section. A compilation of objectives, policies, goals, maps and programs to guide the future development of utilities and community facilities in the local governmental unit such as sanitary sewer service, storm water management, water supply, solid waste disposal, on-site wastewater treatment technologies, recycling facilities, parks, telecommunications facilities, power-generating plants and transmission lines, cemeteries, health care facilities, child care facilities and other public facilities, such as police, fire and rescue facilities, libraries, schools and other governmental facilities.
- e. Mining, timber, tourism, natural and cultural resources section. A compilation of objectives, policies, goals, maps and programs for the conservation, preservation, promotion and effective management of natural resources such as groundwater, forests, current and future mining areas including mineral extraction and associated disturbed lands, environmentally sensitive areas, threatened and endangered species, stream corridors, surface water, floodplains, wetlands, wildlife habitat, metallic and nonmetallic mineral resources consistent with zoning limitations.
- f. Economic development section. A compilation of objectives, policies, goals, maps and programs to promote the stabilization, retention or expansion of the economic base and quality employment opportunities in the local governmental unit, including an analysis of the labor force and economic base of the local governmental unit.
- g. Intergovernmental cooperation section. A compilation of objectives, policies, goals, maps and programs for joint planning, decision making with other jurisdictions and timelines to initiate each one. Possible areas

include school districts, drainage districts and adjacent local governmental units, for siting and building public facilities and sharing public services.

- h. Land–use section. A compilation of objectives, policies, goals, maps and programs to guide the future development and redevelopment of public and private property. The section shall contain a listing of the various land use types, amount of each, intensity and net density of existing uses of land in the local governmental unit, such as mining, residential, commercial, industrial, agricultural and other public and private uses.
- i. Implementation section. A compilation of programs and specific actions to be completed in a stated sequence, including proposed changes to any applicable zoning ordinances, official maps, or subdivision ordinances, to implement the objectives, policies, plans and programs. The local government unit must adopt the comprehensive plan and implementation plan before any reimbursement can be made. The adoption of the comprehensive plan shall include the commitment to update the comprehensive plan no less than every 5 years. Provide the number of FTE construction jobs created by the completion of the proposed project and the estimated construction payroll. Please use the formula of 6.5 FTE for every \$1,000,000 in the new construction project. Provide the number of FTE permanent jobs created or retained by completion of the proposed project with the estimated payroll for the specific type of jobs.

CULTURE & TOURISM GRANT PROGRAM

Purpose

The Culture & Tourism Grant Program stimulates tourism, enriches communities and generates economic impact through cultural, artistic, heritage-related or recreational activities. **Grants are limited to a minimum of \$2,500 and a maximum of \$20,000.**

Eligibility

Eligible applicants are non-profit organizations, multi-organization and multi-community projects located within the IRRRB service area. Applicants may receive one grant per year with a maximum of three (3) consecutive years.

Ineligible expenses include but are not limited to general organization overhead of local celebrations, holiday events, reunions and centennials, existing deficits, awards and prizes.

Criteria

PROJECT PLANNING & MANAGEMENT– Priority #1

- Organizational history, past experience with projects and financial viability
- Professional, technical or artistic qualifications of contracted vendors, talent, service providers
- Plan for marketing, public relations and communications
- Project is ready to begin and is dependent upon this grant

COMMUNITY BENEFIT AND PARTNERSHIPS – Priority #2

- Unique community resources or assets that play a role in the project
- The project demonstrates innovation or value to the community
- The project demonstrates public/private partnership and collaboration

LEVERAGE – Priority #3

- IRRRB funds must be leveraged by a minimum of 1:1 from other funding sources. In-kind may constitute up to 50% of the match.
- Multi-organization and multi-community projects may receive an increased 2:1 leverage
- Committed financial, in-kind and volunteer support from the community

ECONOMIC IMPACT – Priority #4

- Projected participation, attendance or visitation
- Economic impact and job creation or retention

FILM PRODUCTION INCENTIVE GRANT PROGRAM

Purpose

The Film Production Incentive Grant Program supports productions which create jobs and result in economic impact in the IRRRB service area. **IRRRB will reimburse 20% on eligible expenditures in our service area with a cap of \$500,000 per production.**

Eligibility

Eligible applicants are production companies or producers of feature films, national television programs, Internet programs, documentaries, music videos and commercials that are filmed within the IRRRB service area and that directly create new film jobs and result in economic impact in the IRRRB service area.

All categories of production must be consistent with the purpose of Minnesota Statute Section 116U.26, Film Production Jobs Program.

To qualify for IRRRB reimbursement a project must:

- Begin production within the IRRRB service area within twelve (12) months of project approval
- Spend at least 60% of the budget or shoot 60% of production days within the IRRRB service area

Criteria

Eligible projects must benefit the IRRRB service area by creating jobs and providing economic impact.

Only those goods and services purchased within the IRRRB service area are eligible for reimbursement.

LAURENTIAN VISION PARTNERSHIP – INNOVATION GRANT PROGRAM

Purpose

The Laurentian Vision Partnership Innovation Grant Program supports the implementation of the Laurentian Vision Partnership's goals by assisting with projects that serve the partnership's vision and mission of *"Transforming pits and piles to living lakes and landscapes...our legacy for the future."* **Maximum grant award is \$125,000.**

Eligibility

Project proposals are accepted from local units of government, mining companies or other stakeholders working in cooperation with taconite mining companies or communities in their efforts to:

- **Preserve** lands that sustain current and future mining
- **Promote** landscape options for post mining uses
- **Identify** and discuss new development opportunities
- **Provide** the tools to achieve these goals

Multi-organization collaborative projects are encouraged for this program.

Criteria

SUSTAINABLE DEVELOPMENT – Priority #1

- The project provides for a post-mining use of the land aimed at future commercial or residential development, recreational or environmental enhancement or permanent job creation.
- The project provides and supports the sustainable and future use of mining impacted lands.
- The project mitigates public safety concerns.

PARTNERSHIPS AND COOPERATION – Priority #2

- Projects must include the cooperation of a mining company and may be developed with adjacent local units of government, nonprofit organizations or other stakeholders.
- The project is innovative and its completion is not required by existing permits or laws. If the project involves active mine areas or other lands covered by a permit, the project must be reviewed and receive approval from the appropriate state, county or local regulatory agency prior to submission. The project must also exceed the minimum requirements of applicable permits or laws e.g. the State's Taconite and Iron Ore Mineland Reclamation Rules.
- The project may be located on private or public lands.

LEVERAGE – Priority #3

- Innovation Grant funds will leverage monies from other funding sources.
- Leveraged funds can be from any source, other than IRRRB, including the value of in-kind services.

PROJECT READINESS – Priority #4

- The project should be ready for initiation within one year after the grant award.
- The applicant must provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place.

MINING IMPACT PROGRAM

Purpose

Mining activities (mineral exploration, development, and mining) are the economic drivers for Northeastern Minnesota and consequently have an impact on our daily lives. The Mining Impact Grant Program will stimulate both the mining industry and local communities to identify community impacts. This will facilitate discussion, planning, and solution implementation of the current and future mining impacts. Early identification of these issues will result in more time to bring everyone together to construct a beneficial solution. **Maximum grant award is \$125,000.**

Eligibility

Eligible applicants are cities and townships located within the IRRRB service area. Applications are accepted on an ongoing basis throughout the year.

Eligible projects must:

- Provide benefits for both the applicant and the future of mining in Minnesota.
- Address an existing or potential impact between a community and a mining activity.
- Provide details regarding current and future mineral exploration, development and mining in their community.
- Provide a detailed plan for the future of the community and mining.
- Preserve mining deposits for future development.
- Leave a legacy for future generations.

Criteria

- A potential or an existing issue is clearly identified.
- The community must be committed to addressing the issue in an effort to develop a plan to address the issue.
- The community must commit to implementing the solution they develop.
- Projects that include a collaborative (other communities, mining companies, etc.) will receive preference.
- Projects that provide the opportunity for innovative, nontraditional solutions are encouraged and will be given preference.
- Leverage is encouraged and can be from any source, other than IRRRB, including the value of in-kind service.
- The submitted project should have community support and be ready to initiate within 9 months of receiving the award.
- The applicant must provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place.

PUBLIC WORKS GRANT PROGRAM

Purpose

The Public Works Grant Program provides funds for cities and townships for infrastructure, site work, renewable energy and energy efficiency projects, airport or healthcare capital projects that support community and economic development. **It is the IRRRB's intent to limit grant awards to a maximum of \$250,000 for water and sewer upgrades, \$350,000 for development projects and \$500,000 for collaborative applications.**

Eligibility

Eligible applicants include cities, townships, airport authorities, healthcare boards and commissions located within the IRRRB service area. A non-profit organization, utility, department, board or other public entity may apply through the city or township in which it is located.

Eligible projects are publicly owned infrastructure to a development or a potential development including water, sewer, utility extensions, site improvements, fiber, streets, upgrades and repairs to water and sewer systems, renewable energy or energy efficiency projects, healthcare capital projects, collaborative emergency services building projects and airport projects that support community and economic development.

Criteria

ECONOMIC IMPACT – Priority #1

The proposed project should demonstrate its economic impact in the following areas:

- Adding new development
- Attracting essential services
- Attracting future development
- Attracting new investment to the area
- Broadening the local tax base
- Supporting smart growth and sustainable communities
- Promoting energy efficiency and conservation
- Correcting a water or sewer violation that is a health/safety issue or an issue that prevents capacity building
- Financial sustainability of the project
- Removing barriers to economic growth
- Preserving lands necessary to sustain current and future mining

EMPLOYMENT PROJECTIONS – Priority# 2

Provide the number of FTE construction jobs created by the completion of the proposed project and the estimated construction payroll. Please use the formula of 6.5 FTE for every \$1,000,000 in the new construction project. Provide the number of FTE permanent jobs created or retained by completion of the proposed project with the estimated payroll for the specific type of jobs.

LEVERAGE – Priority #3

IRRRB funds must be leveraged by a minimum of 1:1 from other funding sources.

PROJECT READINESS – Priority #4

The project should be ready for construction within six months after the grant award. Provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place. A shovel ready project is defined as an applicant has completed the planning, zoning, environmental studies, title work and other pre-construction activities on the designated site.

COMMUNITY RESOURCEFULNESS – Priority #5

Provide information about your community resourcefulness by addressing the following:

- Describe how this project will eliminate barriers to growth.
- Describe how the project will increase the capacity of existing resources.
- Describe the long-term outcomes of this project in terms of social, economic, civic or environmental impact.
- Describe who will benefit and how many people will be served or impacted by the project.

RESIDENTIAL REDEVELOPMENT GRANT PROGRAM

Purpose

Residential Redevelopment Grant Program supports the demolition of dilapidated residential structures to encourage new in-fill development on previously developed sites where infrastructure already exists. **Maximum grant award is 75% of the demolition costs, or three dollars per building square foot, whichever is less.**

Eligibility

Eligible applicants are cities and townships (and counties in cases where properties are located in unorganized townships) in the IRRRB service area.

Criteria

Eligible projects must benefit the IRRRB service area by removing dilapidated residential structures, creating a cleaner, safer, healthier environment and encouraging new construction.

- Qualifying structures include single-unit residential houses, residential duplex homes of no more than two units, garages, basements and accessory structures.
- The structure to be demolished must be located within the IRRRB service area.
- IRRRB reserves the right to evaluate all proposed structures to determine demolition feasibility.
- Condemned structures are eligible for inclusion in this program, but IRRRB does not participate in condemnation proceedings.
- Commercial structures are not eligible for this program.

Funding

IRRRB will provide a maximum of 75 percent of the demolition costs, or three dollars per building square foot, whichever is less. IRRRB provides funding to cities and townships to assist in the demolition and removal of eligible structures. Eligible structures can be removed in one of two ways.

- Cities and townships that have the staffing, equipment and ability to demolish and remove eligible structures will be reimbursed for actual costs by IRRRB, subject to program guidelines.
- Cities and townships may opt to contract with a licensed and insured contractor through a bid solicitation process to demolish and remove eligible structures. IRRRB will reimburse the city or township, according to program guidelines and the city or township will then be responsible for compensating the private contractor. Expenses eligible for reimbursement are limited to those incurred after an individual project is approved in writing by IRRRB.

Exhibit A IRRRB Meeting Minutes

Monday, June 17, 2013

10:00 a.m.

IRRRB

Eveleth, Minnesota

1) Roll Call

Senator David Tomassoni called the meeting to order at approximately 10:07 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe. Excused: Senator Tom Saxhaug. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Matt Sjoborg, Director of Development; Dave Hart, Assistant Director Business Development; Chris Ismil, Community Development Representative; Linda Johnson, Giants Ridge Director; Marianne Bouska, Chief Operating Officer; Bob Scuffy, Accounting Officer Sr.; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Dan Jordan, Mining and Reclamation Supervisor; Michael Peterson, The Range Tool Company; John Anderson and Todd Sneider, Northshore Manufacturing, Inc.; Charles Skinner, Lutsen Mountains Corporation; Bill Hendricks, City of Nashwauk; John Stini, Hammerlund Construction; Rob Mattei, City of Grand Rapids

2) Approval of the December 13, 2012, Minutes

Action required: Approval requires 7 votes

Representative David Dill moved approval of the December 13, 2012, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni,

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

3) Reorganization of the Board (2013-2014)

a) Election of Chair and Vice Chair

Representative Carly Melin nominated Senator David Tomassoni as Chair and Representative Tom Anzelc as Vice Chair of the Iron Range Resources & Rehabilitation Board. Representative Jason Metsa seconded the motion. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

4) Commissioner Comments

a) Commissioner Update

Commissioner Tony Sertich provided an update regarding the impact that the Board and agency have had on northeastern Minnesota regarding project totals, leverage and job creation over the past three years.

The Commissioner also announced that he is creating the Better IRRRB Task Force to make recommendations on how we can improve and evolve to make sure we are meeting the needs of today and tomorrow and protect the money in the trust fund.

4) The Range Tool Company – Resolution No. 13-023

DJJ – Action required: Project approval requires 5 votes

Representative Jason Metsa moved to approve The Range Tool Company, LLC, request for financial assistance in the form of a bank participation loan in an amount not to exceed \$125,938 to purchase additional machining equipment and expand production capacity at its Gilbert, Minnesota facility, as presented in Resolution No. 13-023. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni,

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

The Range Tool Company, LLC

310 North Broadway
Gilbert, Minnesota 55741

Bank Participation Loan Program

Applicant:	The Range Tool Company, LLC

Project Location:	310 North Broadway Gilbert, Minnesota 55741	
Principal(s):	Michael Peterson, owner	
Project Description:	The proposed project will allow The Range Tool Company to purchase additional machining equipment to expand production capacity at its Gilbert, Minnesota facility. The company's primary product lines are in the design and machining of components for the firearms industry. The company now produces and ships product to all 50 states.	
Market Opportunity:	Due to limited capacity, much of The Range Tool Company's production is completed at other machine shops. This expansion will allow the company to keep production in Gilbert.	
Project Investment:		
	First National Bank of Gilbert, Equipment loan, 7-years Operating line-of-credit	\$ 125,938 25,000
	IRRRB Bank participation loan, equipment, 7-years	125,938
	Owner equity	5,764
	TOTAL	\$ 282,640
Jobs:	Two projected new full-time employees (current part-time employees will become full-time). Wages \$31,000 - \$42,000 per year plus benefits.	
Collateral:	Collateral will consist of a shared first-position on equipment and the personal guaranty of the owner.	
Business History:	The Range Tool Company was formed three years ago as a small contract precision machine shop in Gilbert, MN.	
Past IRRRB History:	None.	
Contingencies:	Other financing, substantially as indicated above, must be approved.	
Technical Advisory Committee	Recommended approval, June 6, 2013.	

Recommendation:	
Funding Authorization:	This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
 LOAN FOR THE RANGE TOOL PROJECT**

Resolution No.: 13-023

WHEREAS, the Commissioner is authorized to expend, upon approval of over one-half of all members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY13 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects (“**FY13 DJJ Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal from The Range Tool Company, LLC, a Minnesota limited liability company with operations in Gilbert (“**Range Tool**”), to purchase machining equipment to expand its production capacity to enable an expansion of its business, and has made application to the Commissioner for financial assistance that, in combination with funds provided from other sources, will finance its expansion project, which is more specifically described in the Board packet materials which are attached hereto and incorporated by reference as Exhibit A (the “**Range Tool Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$125,938 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan, which is being made as part of a \$282,640 total investment, to enable Range Tool to finance the costs of the Range Tool Project, with the participation interest to be acquired on the

terms and subject to the conditions set forth in Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on June 6, 2013, and recommended approval of the requested financial assistance for the Range Tool Project; and

WHEREAS, the Board met at the agency's Administrative Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, approval of the requested financial assistance for the Range Tool Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Range Tool Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$125,938 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan which is being made to enable Range Tool to finance a portion of the costs of the Range Tool Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency's standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

5) Northshore Manufacturing, Inc. – Resolution No. 13-024

TEPF – Action required: Project approval requires a simple majority of the quorum

Senator Tom Bakk moved to approve the expenditure of up to \$500,000 of TEPF funds in the form of a direct loan to purchase additional capital equipment that will increase efficiencies and allow the Northshore Manufacturing, Inc. to perform additional value added functions in house, as presented in Resolution No. 13-024. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

Northshore Manufacturing, Inc.

530 Recycle Center Drive
Two Harbors, Minnesota 55616

IRRRB Direct Loan Program

Applicant:	Northshore Manufacturing, Inc.
Project Location:	530 Recycle Center Drive Two Harbors, Minnesota 55616
Principal(s):	John Anderson
Project Description:	<p>The proposed project includes the refinancing of existing debt, the purchase of additional production equipment, and additional working capital. The agency financing would be used specifically for the purchase of additional capital equipment that will increase efficiencies and allow the company to perform additional “value added” functions in house. The refinancing portion of the project will result in a substantial cash flow savings for the company.</p> <p>The company currently designs, manufactures and sells custom knuckle boom material handlers used primarily in the waste handling, scrap handling, forestry, railroad, mining and steel, and utility industries.</p>
Market Opportunity:	Northshore Manufacturing’s ability to increase market share will be greatly improved with the investment in this project. Northshore Manufacturing currently serves a wide variety of industrial operations, primarily the scrap industry which is expected to improve in 2013-2014 due to higher demand and output.

Project Investment:		
	Lake Bank Negotiated term and rate	\$2,400,000
	IRRRB Formula rate Ten-year amortization	500,000
	SBA 504 Negotiated term and rate	2,100,000
	Northland Foundation Negotiated term and rate	250,000
	Entrepreneur Fund Negotiated term and rate	200,000
	TOTAL	\$5,450,000
Jobs:	6 projected new 60 retained Wages \$31,200 - \$62,400 per year plus benefits	
Collateral:	The loan will be secured with a first position lien on equipment to be purchased with proceeds including a CNC machining center, vertical CNC mill, 3.5 ton press brake, and a burn/plasma CNC. The loan will be personally guaranteed by John Anderson.	
Business History:	Northshore Manufacturing, Inc. was originally founded in 1978 under the name of Lakeshore Manufacturing in Two Harbors. In 1989 the name was changed to Northshore Manufacturing and the company began producing its own products under the Builtrite brand, along with maintaining accounts with original equipment manufacturers	
Past IRRRB History:	The company had a previous loan in the amount of \$75,000 that was paid as agreed and paid in full in 1995.	
Contingencies:	An alternative financial structure will be considered as long as the position of the agency is not materially compromised.	
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.	
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.	

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
LOAN FOR THE NORTHSHORE MANUFACTURING PROJECT**

Resolution No.: 13-024

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s FY 2013 Budget includes provisions for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal from Northshore Manufacturing, Inc., with operations in Two Harbors, for the expenditure of up to \$500,000 of TEPF Business Development Funds for a project that would include the refinancing of existing debt and the purchase of additional production equipment, which project is more specifically described in the Board packet materials (“**Northshore Manufacturing Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$500,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a bank loan, which is being made as part of a \$5,450,000 total investment, to enable Northshore Manufacturing to finance the costs of the Northshore Manufacturing Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the proposed Northshore Manufacturing Project and has determined that the expenditure of up to \$500,000 of TEPF Business Development Funds for the Northshore Manufacturing Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$500,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a bank loan which is being made to finance a portion of the costs of the Northshore Manufacturing Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND
REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.**

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

6) Lutsen Mountains Corporation – Resolution No. 13-025

TEPF – Action required: Project approval requires a simple majority of the quorum
Representative David Dill moved to approve the expenditure of up to \$450,000 of TEPF Funds in the form of a bank participation loan for major upgrades to the snowmaking capabilities at the Lutsen Mountain Ski area, as presented in Resolution No. 13-025. Seconded Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

Lutsen Mountains Corporation
467 Ski Hill Road
Lutsen, Minnesota 55612

IRRRB Bank Participation Loan Program

Applicant:	Lutsen Mountains Corporation
Project Location:	467 Ski Hill Road Lutsen, Minnesota 55612

Principal(s):	Charles M. Skinner Thomas C. Rider	
Project Description:	The proposed project includes major upgrades to the snowmaking capabilities at the Lutsen Mountain Ski area on the north shore of Lake Superior, and the addition of two or three runs on Moose Mountain, which is the largest and has the most skiable terrain of the four mountains that comprise the ski area. This will complete the total upgrade of snowmaking replacement at the area which began in 2012. In addition to the project for which agency funding is being sought, the business is in the planning process for another major improvement at the ski area, the installation of a high speed chair lift. The net result of this project, also planned for the summer of 2013, would increase lift capacity at Moose Mountain from 3,000 passengers per hour to 5,200 passengers per hour, and will reduce the ride time from about 10 minutes to about 3 minutes.	
Market Opportunity:	The snow making project for which funding is being sought, combined with the snow making upgrades completed in 2012, and the proposed high speed lift will in some respects transform the entire ski area. These projects combined with the addition of a new gondola, planned for 2014 or 2015, will further enhance the ski experience to one that can be likened to that at a major western United States ski area, unlike any other area in the Midwest. There has been some consolidation in the United States ski market since 1980, going from 740 ski areas in the nation to 471. At the same time, the average number of skier visits per area has increased from less than 40,000 annually to over 60,000. The average number of skier visits at Lutsen has increased even greater, from under 40,000 visits in 1980 to over 80,000 in 2011, with the majority of the growth coming in the mid to late 1980s after significant improvements including expansion of terrain, upgrade of snow making, addition of “on hill” lodging, and most importantly the installation of a gondola were made. In general, the ski areas that make major improvements are the ones that continue to grow. These projects, completed and planned, seem to position Lutsen Mountains well into the future.	
Project Investment:		
	IRRRB Formula rate 20 year amortization, 10 year balloon	\$450,000
	Great River Energy 1% 10 year amortization	350,000
	Equity	100,000
	TOTAL	\$900,000

Jobs:	Projected 8 New 84 Retained Wages \$20,800 - \$62,400 per year plus benefits
Collateral:	Shared first position, with Great River Energy as lead lender, on 12 snowguns, pumps, variable frequency drives and other snowmaking equipment installed as part of this project. The loan will be personally guaranteed by Charles Skinner and Tom Rider.
Business History:	George Nelson founded the Lutsen Ski Area in 1948. Charlie Skinner, a ski industry pioneer who had founded the Sugar Hills Ski Area near Grand Rapids, MN in the early 1960s, purchased the business from Mr. Nelson in 1980. Charlie's son, Charles Skinner, and son-in-law, Tom Rider, joined Lutsen Mountains in the early 1990s, and purchased the ski area from Charlie in 1999.
Past IRRRB History:	The agency made a loan of \$125,000 to Lutsen Mountains Corporation in the 1980s. The loan was paid as agreed and paid in full in 1991.
Contingencies:	An alternative financing structure may be considered as long as the IRRRB's position is not materially compromised.
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 TACONITE AREA ENVIRONMENTAL PROTECTION FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
 LOAN FOR THE LUTSEN MOUNTAINS PROJECT**

Resolution No.: 13-025

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency's FY 2013 Budget includes provisions for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects ("**TEPF Business Development Funds**"); and

WHEREAS, the Commissioner has received a proposal from Lutsen Mountains Corporation for the expenditure of up to \$450,000 of such TEPF Business Development Funds for a project that would include major upgrades to improve snowmaking capacity at the Lutsen Mountain Ski Area as well as the addition of two or three additional skiing runs on Moose Mountain, which project is more specifically described in the Board packet materials ("**Proposed Lutsen Mountains Project**"); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$450,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a commercial loan, which is being made as part of a \$900,000 total investment, to enable Lutsen Mountains Corporation to finance the costs of the Proposed Lutsen Mountains Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the Proposed Lutsen Mountains Project and has determined that the expenditure of up to \$450,000 of TEPF Business Development Funds for the Proposed Lutsen Mountains Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$450,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a commercial loan for the Proposed Lutsen Mountains Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency's standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			

Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____

Senator David Tomassoni, Chair

7) FY13 Budget Amendment – Resolution No. 13-026

Action required: Approval requires a simple majority of the quorum

Senator Rod Skoe moved to approve an amendment to the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, as presented in Resolution No. 13-026. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2013 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 13-026

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2013 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State’s fiscal year 2013, which covered the period of time from July 1, 2012 through June 30, 2013 (the “**FY13 Budget**”); and

WHEREAS, the FY13 Budget, as amended by the Board at its December 13, 2013 meeting, made a total of \$8,850,000 available for Public Works Projects from the Taconite Area Environmental Protection Fund (“**TEPF**”) account; and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, which action would have the effect of increasing the authorized balance in the FY13 Budget’s Public Works Projects Budget line item by \$550,000 (the “**Proposed Budget Amendment**”) to the total sum of \$9,400,000 for FY13; and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency's Administration Building near Eveleth to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY13 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, thereby increasing the authorized amount of the FY13 Budget line item for Public Works Projects to the sum of \$9,400,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

8) City of Grand Rapids – Resolution No. 13-027

Action required: Project approval requires a simple majority of the quorum

Representative Tom Anzelc moved to approve an expenditure of TEPF funds in an amount not to exceed \$350,000 to the City of Grand Rapids for site development and infrastructure requirements for the relocation and expansion of Hammerlund Construction, as presented in Resolution No. 13-027. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVAL**

Resolution No.: 13-027

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY13 Budget includes the allocation of \$9,400,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum \$8,850,000 has already been obligated for projects by prior Board actions, leaving \$550,000 that has not yet been approved by the Board for expenditure during FY13; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$350,000 of such TEPF Public Works Funds from the City of Grand Rapids for a community and economic development project that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of the proposed amounts of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$350,000 of FY13 TEPF Public Works Funds to provide a grant for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 13 TEPF Public Works Funds for the Proposed Project is contingent upon the agency, in its grant contracts, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY13 TEPF Public Works Funds for the Proposed Project is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
--------	-----	-----	---------	---------

Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT A PUBLIC WORKS GRANT FY13

City of Grand Rapids Grant Amount \$350,000

The project is comprised of site development and infrastructure requirements for the relocation and expansion of Hammerlund Construction. The project includes a new 5,000 sq. ft. headquarters building, equipment yard and an 11,000 sq. ft. mechanical/equipment service building. This project will be bid and will commence immediately upon IRRRB approval. The project is expected to create 10 FTE jobs and 15 FTE construction jobs.

USES

SOURCES

Building	\$1,821,000	IRRRB	\$350,000
Infrastructure and site work	744,000	Private	2,320,000
(A&E)	105,000		
TOTAL	\$2,670,000	TOTAL	\$2,670,000

9) City of Nashwauk – Resolution No. 13-029

TEPF – Action required: Project approval requires a simple majority of the quorum
 Representative Carly Melin moved to approve the expenditure of TEPF funds in an amount not to exceed \$200,000 to the City of Nashwauk for 2nd and 3rd streets, York and Platt Avenue sewer upgrades, as presented in Resolution No. 13-029. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVAL**

Resolution No.: 13-029

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY13 Budget includes the allocation of \$9,400,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum \$9,200,000 has already been obligated for projects by prior Board actions, leaving \$200,000 that has not yet been approved by the Board for expenditure during FY13; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$200,000 of such TEPF Public Works Funds by the City of Nashwauk for a community and economic development project that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of the proposed amounts of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$200,000 of FY13 TEPF Public Works Funds to provide a grant for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 13 TEPF Public Works Funds for the Proposed Project is contingent upon the agency, in its grant contracts, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY13 TEPF Public Works Funds for the Proposed Project is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

**EXHIBIT A
 PUBLIC WORKS GRANT FY13**

City of Nashwauk

Grant Amount \$200,000

At its December 14, 2011 meeting, the IRRR Board approved a \$200,000 public works development grant to the city of Nashwauk as part of a project that included the expansion of Motter Equipment Incorporated in the city's business park. Motter Equipment Incorporated has since located into an area of the city's business park which needs minimal infrastructure updates, so the grant has been cancelled.

In addition to the Motter Expansion public works application the city of Nashwauk applied to the IRRRB public works program for 2nd and 3rd streets, York and Platt Avenue Sewer Upgrades, but did not receive funding for this project.

The project is comprised of sanitary sewer improvements, drainage improvements and street restoration for 2nd and 3rd Streets and York and Platt Avenues. This project has been bid and will commence immediately upon IRRRB approval.

<u>USES</u>		<u>SOURCES</u>	
Sanitary Sewer, drainage and street work	\$582,000	IRRRB	\$200,000
		City	382,000
TOTAL	\$582,000	TOTAL	\$582,000

10) Restructuring of the Excelsior Energy Loan – Resolution No. 13-030

Senator Tom Bakk moved to approve the restructuring of the Excelsior Energy loan, as presented in Resolution No. 13-030. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: Representative Tom Anzelc

Abstain: None

Excused: Senator Tom Saxhaug



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 17, 2013

Re: Restructuring of Excelsior Energy Loan

I believe when our agency looks to restructure existing agreements we should take into account at least two key factors:

- Will a restructure lead to a better outcome for the development of the project?
- Will a restructure improve the possibility of a return on agency funds?

For over a decade, the Excelsior Energy--Mesabi Energy Project's history has been well documented. I want to remind the board that all funding from agency loans was expended prior to an audit completed in 2008 with recommendations which were complied with at that time. The loan was restructured in 2010 by Commissioner Layman with board support. I do not think it is fruitful to re-litigate past decisions made by previous boards and commissioners as we cannot go back and change those decisions with the hindsight of today. We are where we are, and it is collectively our job to focus on making the best of our current situation.

I am proposing to restructure the loan agreements to address critical issues that may improve on the ability for successful project development and a return on our agency's investment.

This proposal does four things:

1. It permits for a change of scope of the project to allow for energy sources other than coal to be developed (i.e. Natural Gas, Biomass, etc.).
2. Defers any yearly repayments but maintains the interest calculated at 3% per annum.
3. It provides that if a project is built by 2019, Excelsior will pay \$1 million annual payments on the first anniversary of operation to the IRRRB until the loans--currently at \$9.15 million--are paid in full.
4. It also provides that if a project is not built by 2019, the IRRRB will have an option to take over all the assets of Mesabi Energy Project (including permits and site) giving our agency the ability to manage any future development. If we were able to sell the project after this time, Excelsior would receive 25% of the net proceeds of a sale.

The change of scope for the project is necessary as the previous agreement called for construction of a clean coal facility. For various reasons--including the fact that federal funding and loan guarantees are no longer available, I find it highly unlikely that such facility is going to move forward. It is far more likely biomass or natural gas based energy production could be developed.

The other important update from the previous agreement is the collateral to the agency. The previous agreement is unsecured; but with this restructure, our agency will have access to the assets of the Mesabi Energy Project after a reasonable length of time.

This restructuring answers in the affirmative the two questions I posed at the beginning of this memo, and I ask for the board's support on the restructure.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
EXCELSIOR ENERGY, INC. MODIFICATION OF TERMS**

Resolution No.: 13-030

WHEREAS, the Board has previously approved the expenditure of up to \$1.5 million of Board Account funds and the expenditure of up to \$8 million in a combination of Taconite Area Environmental Protection Fund and Board Account funds, for loans to Excelsior Energy, Inc. ("Excelsior") for a proposed coal-gasification and electrical energy generating facility project within the Taconite Assistance Area ("TAA"); and

WHEREAS, consistent with such actions, the agency entered into loan agreements with Excelsior for \$1.5 million on April 24, 2002 and for \$8 million on December 8, 2004; and,

WHEREAS, at its meeting on November 24, 2008, the Board approved extending the first interest payments on the loans until December 31, 2010; and,

WHEREAS, at its meeting on August 19, 2010, the Board approved modifying the loan terms, including extending the due dates for the loans until December 31, 2017; and

WHEREAS, due to delays in the project's permitting, approval and construction timetables, Excelsior has approached the Commissioner and has requested that the terms of the loans be modified consistent with the Board packet materials provided by the Commissioner; and,

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency's Administration Building near Eveleth, Minnesota, to consider, among other matters, Excelsior's request.

NOW, THEREFORE, IT IS RESOLVED, that modification of the loan terms consistent with the Board packet materials provided by the Commissioner appears to be in the best interests of the TAA and of the agency.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc		X		
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	1	0	1

Signed: _____
Senator David Tomassoni, Chair

11) Commissioner's Program Expenditure Authorization – Resolution No. 13-031

Motion by Senator Tom Bakk to approve the Commissioner Program Expenditure Authorization of the remaining \$250,000 (of \$500,000) of FY13 budget funds, as presented in Resolution No. 13-031. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
COMMISSIONER'S PROGRAM EXPENDITURE AUTHORIZATION**

Resolution No.: 13-031

WHEREAS, the Board at its June 2012 meeting approved the agency's FY13 Agency Investment Plan (the "FY 13 Budget"), subject to certain conditions contained in the Board's Resolution 12-034; and,

WHEREAS, the FY13 Budget, under the Programs/Grants portion of the funding authorizations, approved the expenditure of up to \$500,000 for the Commissioner's Program, which is a program by which funds are made available to the Commissioner to make small grants to respond quickly to emergency situations or to support development opportunities that may not meet other agency program requirements ("Program"); and,

WHEREAS, the Board's Resolution 12-034 provided that the Commissioner could expend the first \$250,000 portion of the budgeted Program amount without further Board approval, but that expenditure of the remaining \$250,000 of the budgeted Program amount was subject to further Board approval; and,

WHEREAS, the Board is satisfied with the manner and purposes for which the Commissioner has expended funds from the first \$250,000 of Program funds and wishes now to authorize the expenditure of the remaining \$250,000 of FY13 Budget funds for the Program.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves, for grants and encumbrancing on or after June 17, 2013, the expenditure of the remaining \$250,000 portion of the Commissioner's Program funds in the approved FY13 Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			

Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

12) FY2014 Budget – Resolution No. 13-028

Action required: Approval requires a simple majority of the quorum

Commissioner Sertich presented the FY2014 Budget.

Senator Tom Bakk moved to approve the FY2014 Budget, as presented in Resolution No. 13-028 and Addendum A. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 FISCAL YEAR 2014 AGENCY BUDGET APPROVAL**

Resolution No.: 13-028

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY 2014 budget for the funding of operational expenditures, programs and projects of the agency during the State’s fiscal year 2014 (“**FY14**”) which covers the period of time from July 1, 2013, through June 30, 2014 (the “**Proposed FY14 Budget**”); and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the Proposed FY14 Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341

(“**TAA**”) to approve the Proposed FY14 Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 (“**Board Account**”), Section 298.223 (“**Taconite Area Environmental Protection Fund**”), Sections 298.291 through 298.294 (“**Douglas J Johnson Economic Protection Trust Fund**”), and Section 298.17 (“**Occupation Tax Funds**”), for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY14 Budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Proposed FY14 Budget and the expenditure authorizations therein requested to fund the Operations, Giants Ridge Golf & Ski Resort and Programs sections of Budget during FY14, subject to the understanding that the Board at subsequent meetings during FY14 will approve on a project-by-project basis the expenditure of the funding designated in the Projects section of the Budget except as otherwise provided in the Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed:_____

8) Adjournment

The meeting adjourned at 11:55 a.m.

Addendum A –

FY 2014 Budget



FY 2014 IRRRB Budget

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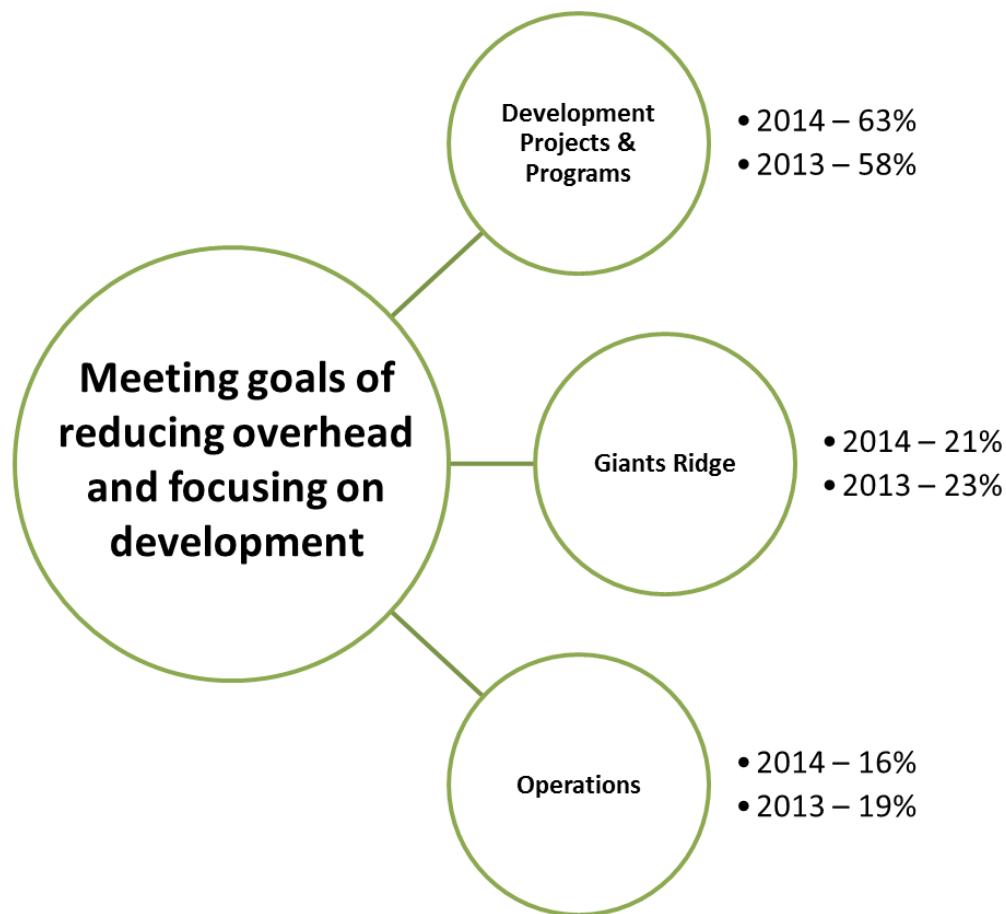
The IRRRB's mission is to promote and invest in business, community and workforce development for the betterment of northeastern Minnesota.

Introduction

FY14 July 1, 2013 – June 30, 2014

This proposed FY14 IRRRB budget represents the agency's commitment to investing in a better future for northeastern Minnesota. It is organized in order of funding priorities - public investments in development projects and programs, Giants Ridge Golf and Ski Resort and operational costs.

Development projects and programs account for 63% of the agency's spending; Giants Ridge 21%; and operations 16%. A high level overview of resources and expenditures is presented below, followed by individual narrative and budget sections.



FY14 Budget

Iron Range Resources & Rehabilitation Board	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Resources			
Carryforward In	\$16,169,941	\$19,883,344	\$12,511,670
Current Resources			
Taconite Production Taxes	\$13,770,626	\$13,770,626	\$21,384,480
Investment Earnings	494,116	511,904	494,116
Loan Revenues	2,574,849	5,301,637	2,552,311
Facilities Revenues	5,123,404	4,903,114	4,806,250
Occupation Tax Region III	455,767	455,767	574,655
Subtotal Current Resources	\$22,418,762	\$24,943,048	\$29,811,812
Total Resources	\$38,588,703	\$44,826,392	\$42,323,482
Estimated Expenditures			
Projects			
Development Projects	7,500,000	7,254,488	9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Projects	\$16,350,000	\$16,104,488	\$16,000,000
Programs			
Program Grants	4,206,572	4,139,074	5,131,572
Occupation Tax Region III	455,767	455,767	574,655
Total Programs	\$4,662,339	\$4,594,841	\$5,706,227
Giants Ridge Golf & Ski Resort	\$7,270,234	\$7,124,436	\$7,996,901
Operations & Development Fixed Costs	\$5,813,757	\$4,490,956	\$5,993,888
Giants Ridge Bond Redemption Repayment	\$0	\$0	\$2,000,000
Total FY14 Budget	\$34,096,330	\$32,314,721	\$37,697,016
Estimated Carryforward Out	\$4,492,373	\$12,511,670	\$4,626,466

Projects

Development Projects - \$9,000,000

A total of \$9,000,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region. In an effort to streamline approvals, improve timeliness, and better serve businesses, a pilot project approval process will be tested in FY14. The Commissioner will be authorized to approve loans up to \$500,000 for projects that meet the following conditions:

- Qualify for IRRRB financing under established guidelines.
- Approval by the Technical Advisory Committee (TAC).
- Sign-off by the IRRR Board Chair.

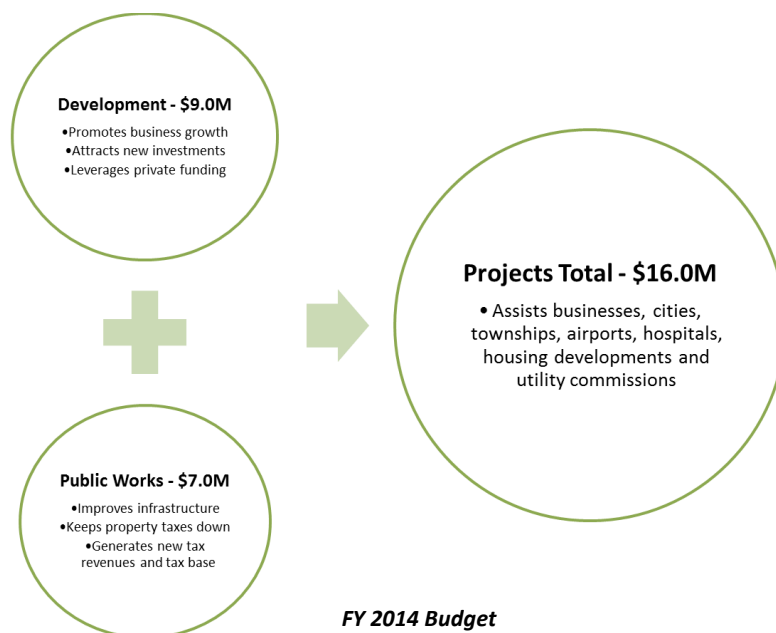
All projects over \$500,000 will be brought before the IRRR Board for approval at a subsequent meeting. The new approval process will sunset after one year.

Public Works - \$7,000,000

Public Works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

Development Projects	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Development Projects	\$7,500,000	\$7,254,488	\$9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Development Projects	\$16,350,000	\$16,104,488	\$16,000,000



Programs

Grants

Community Development

Commercial Redevelopment - \$1,000,000

Commercial Redevelopment grants fund the demolition and removal of commercial or publicly-owned structures, or the clean-up of brownfield sites, making way for new development.

Residential Redevelopment - \$350,000

Grants to cities and townships assist in the demolition and removal of dilapidated residential structures, promoting in-fill development on previously developed sites. Funding support encourages new construction and helps create cleaner, safer, and healthier communities. Applications are accepted from communities year-round.

Home Energy Improvement - \$500,000

The Home Energy Improvement program provides homeowners and owners of rental properties within the IRRRB service area with funds for property improvements that promote energy conservation and efficiency. Examples include: window and door replacement, new furnaces, water heaters, wall and ceiling insulation, roofing, siding, solar, wind, and geothermal energy. Arrowhead Economic Opportunity Agency (AEOA) administers the program, which targets owners with incomes that are above the guidelines for current programs. Benefits are investing in housing stock and creating jobs for those who work on such improvements.

Development Partnerships - \$250,000

While this funding is not new, a line item was created to account for the agency's partnerships with regional development entities. Past partnerships include: the Blandin Foundation, East Range Joint Powers Board, Enterprise Minnesota, Entrepreneur Fund, Northland Connection regional economic development website, and Quad Cities Small Business Development Center. These partnerships match agency funds on development programs and initiatives that are consistent with IRRRB objectives.

Community Comprehensive Plan Updates - \$200,000

This new grant program will help communities fund the development and adoption of comprehensive plans in the areas of public works and infrastructure. The plans will better enable communities to make strategic long term development decisions and will also aid IRRRB in making funding decisions.

Education/Workforce Development - \$300,000

Grants assist in workforce development by funding programs for industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or innovation to address workforce needs. Funding is also available for secondary and post-secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary education to the workforce.

Mining and Mineland Reclamation

Mining & Mineland Reclamation - \$285,000

FY14 projects and programs funded include mine pit fish stocking (\$15,000), emergency safety projects and repair (\$20,000), Mining and Mineral Development (\$100,000), and the new Challenge Grant Program (\$150,000) that will stimulate communities to proactively address current and future conflicts with mining.

Laurentian Vision Partnership - \$250,000

Laurentian Vision Innovation project grants encourage and help fund collaborations between mining companies and local governments. Eligible projects advance the Laurentian Vision Partnership's goal to create post-mining landscapes that benefit Iron Range communities.

Culture and Tourism

Culture and Tourism - \$150,000

Culture and Tourism grants help non-profit organizations undertake projects that stimulate tourism and enrich communities through artistic, heritage-related or recreational activities.

Minnesota Discovery Center - \$1,321,572

Minnesota Discovery Center's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

Through FY 2016 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$71,572 for building capital improvements.

Commissioner Program - \$500,000

Grants under the Commissioner Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements.

Application Fund - \$25,000

The agency reimburses communities, non-profits and educational organizations for up to one-half of the cost of applying for funding from other state, federal or private grant programs.

Programs Budget

Program Grants	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Community Development			
Commercial Redevelopment	\$500,000	\$500,000	\$1,000,000
Residential Redevelopment	350,000	350,000	350,000
Home Energy Improvement	500,000	500,000	500,000
Business Energy Retrofitting	250,000	250,000	0
Development Partnerships	0	0	250,000
Community Comprehensive Plan Updates	0	0	200,000
Total Community Development	\$1,600,000	\$1,600,000	\$2,300,000
Education/Workforce Development	\$300,000	\$263,620	\$300,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$16,202	\$285,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
Total Mining and Mineland Reclamation	\$285,000	\$266,202	\$535,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$150,000
Minnesota Discovery Center	1,321,572	1,321,572	1,321,572
Total Culture & Tourism	\$1,471,572	\$1,471,572	\$1,471,572
Commissioner Program	\$500,000	\$500,000	\$500,000
Application Fund	\$50,000	\$37,680	\$25,000
Total Program Grants	\$4,206,572	\$4,139,074	\$5,081,572

Region III

State law directs IRRRB to serve as the fiscal agent for Carlton and Koochiching County (Region III) grants from occupation taxes for economic and environmental development projects. IRRRB does not make any funding decisions, but funds pass through under the following provisions:

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY13 was \$455,767, from which IRRRB was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

Region III Grant – Carlton/Koochiching	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Region III	\$455,767	\$455,767	\$574,655

Giants Ridge Bond Redemption Repayment

On August 19, 2010, the IRRR Board approved paying off early the debt service for The Quarry Golf Course at Giants Ridge, which resulted in a cost savings of approximately \$6.5 million. The total debt service payment made from the DJJ Corpus was \$8,707,969. At that time, it was resolved that the agency would replenish the DJJ Corpus funds at a later date. Accordingly, in FY14, \$2 million will be repaid to the DJJ Corpus as a first installment.

Giants Ridge Golf & Ski Resort

The primary mission of Giants Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the IRRRB service area. Giants Ridge features 36 holes of championship golf and a winter sports area that attracts over 100,000 visitors annually from Minnesota, the United States and Canada. The Giants Ridge recreation area is comprised of 10,000 acres of land of which IRRRB owns 1,850 acres. A Master Plan for the Giants Ridge recreational area serves as the blueprint for residential and commercial growth.

In 2011, Giants Ridge created 276 jobs directly and an additional 82 jobs indirectly across St. Louis County. The facility's annual economic activity across the IRRRB service area totaled \$6.3 million in output spending and \$3.6 million in value-added spending.*

Giants Ridge is a public-private partnership that has attracted private sector development in the way of real estate and housing, therefore increasing the state and local tax bases. In 2012, the private area real estate properties at Giants Ridge provided approximately \$1.2 million in total tax revenue to the area. Their total market value is \$68.9 million with a total economic value of \$70.1 million.*

The organizational structure at Giants Ridge is comprised of four operators: the IRRRB and three contract vendors. IRRRB operates the ski area and physical plant. As a contract vendor, Troon operates the golf courses and all food and beverage services for ski, golf, and an on-site hotel. Northern Lights Sports operates the winter and summer rentals, a snow shop and ski school through its contract vendor service. In addition, Rural Source Management Group provides central reservations services to Giants Ridge and surrounding area lodging properties.

* *Economic Impact Study, conducted by the Labovitz School of Business and Economics, University of Minnesota Duluth, Bureau of Business and Economic Research, 2012*

	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Giants Ridge Golf & Ski Resort			
Revenues			
Admissions	\$2,661,225	\$2,255,693	\$2,433,422
Facility Rental	123,420	120,627	116,495
Other Revenue	175,388	219,653	215,117
Retail Sales	1,841,279	1,663,398	1,706,425
Total Revenues	\$4,801,312	\$4,259,371	\$4,471,459
Expenses			
Cost of Sales	\$ 836,203	\$ 872,109	\$ 829,846
Salaries & Benefits	3,693,108	3,477,501	3,896,256
Utilities	303,627	304,701	312,552
Advertising & Marketing	547,000	422,189	505,332
Equipment Rental	147,330	141,940	161,515
Management Fees	146,340	134,041	138,963
Maintenance & Repairs	584,105	540,576	505,973
Supplies	418,601	338,658	409,276
Insurance	119,025	102,998	101,874
Purchased Services	313,539	623,376	564,031
Non-Capital Assets - 471	60,000	64,902	113,926
Total Operational Expenses	\$7,168,878	\$7,022,991	\$7,539,544
Non Operational Expenses			
Interest and Financing	\$ 101,356	\$ 101,445	\$101,357
Capital Assets	0	0	356,000
Total Non-Operational Expenses	\$ 101,356	\$ 101,445	\$457,357
Total Expenditures	\$7,270,234	\$7,124,436	\$7,996,901

Operational Costs

Operational costs include day-to-day general and administrative expenses for running the agency: payroll, purchased services, indirect costs, supplies, materials, repairs and maintenance. Personnel expenses include all Operations and Development employees.

Operational Costs Budget

Operational Costs	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Payroll			
Wages and Benefits	\$3,345,968	\$2,882,070	\$3,458,179
Retirement Insurance	192,704	177,799	252,555
Unemployment Compensation	100,000	69,524	100,000
Workers Compensation	136,000	136,000	137,000
Other Payroll Costs	15,400	8,102	15,400
Total Payroll	\$3,790,072	\$3,273,495	\$3,963,134
Purchased Services			
Rentals and Utilities	\$78,140	44,408	76,780
Printing and Advertising	102,800	54,295	62,814
Professional/Technical Services	193,400	130,855	280,700
Computer and Computer Services	95,800	128,777	95,800
Communications	131,360	123,041	131,300
Travel	166,450	127,073	177,150
Employee Development	37,700	16,776	44,300
Total Purchased Services	\$805,650	\$625,225	\$868,844
Supplies and Equipment	\$389,110	\$153,622	\$439,570
Repairs and Maintenance	\$217,140	\$117,936	\$339,740
Indirect Costs			
Statewide Indirect Costs	\$131,637	\$89,756	\$106,000
Attorney General Costs	336,000	84,603	120,000
Total Indirect Costs	\$467,637	\$174,359	\$226,000
Other Operating Costs	\$144,148	\$146,316	\$156,600
Total Operational Costs	\$5,813,757	\$4,490,954	\$5,993,888